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LONDON FOR TUELLER, PARIS FOR ALLEGRONE

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SUBJECT: IRAN: MEETING WITH SAUDI FOREIGN MINISTER
SAUD AL-FAISAL

11. (SECRET - ENTIRE TEXT)

12. SUMMARY. IN A JANUARY 26 MEETING, SAUDI FOREIGN MINISTER SAUD AL-FAISAL TOLD NEA ASSISTANT SECRETARY PELLETREAU THAT IRAN HAD BEEN PRESSURING THE SAG FOR AN IMPROVEMENT IN RELATIONS, BUT THE SAG HAD SEEN NO INDICATION THAT IMPROVING RELATIONS WOULD PRODUCE A STABILIZING SITUATION. HE SAID THE SAG WAS CONCERNED ABOUT IRANIAN MEDDLING IN BAHRAIN. PELLETREAU SAID THE U.S. WAS CONCERNED ABOUT IRAN'S SUPPORT OF SUBVERSIVE ACTIVITIES AND ITS RECENT PURCHASE OF A RUSSIAN NUCLEAR REACTOR. HE SAID U.S. EFFORTS TO DENY IRAN NEW CREDIT WERE HAVING SOME EFFECT. SAUD SAID THAT HE HAD RECENTLY HEARD THAT THERE WERE DIVISIONS WITHIN HIZBALLAH, AND SUGGESTED THAT OUR INTELLIGENCE SERVICES HAVE AN INFORMATION EXCHANGE ON THIS SUBJECT. PELLETREAU AGREED. (OTHER SUBJECTS SEPTELS.) END SUMMARY.

13. IN THE LATE AFTERNOON OF JANUARY 26, ASSISTANT SECRETARY PELLETREAU AND FOREIGN MINISTER SAUD MET AT SAUD'S HOME TO CONTINUE THEIR JANUARY 25 MEETING. DEPUTY FOREIGN MINISTER AL-KURDI SAT IN ON THE SAUDI SIDE AS NOTETAKER. AMBASSADOR AND ACTING POLCOUNS (NOTETAKER) ACCOMPANIED PELLETREAU.

14. SAUD RAISED THE ISSUE OF IRAN BY SAYING THAT THE IRANIANS WERE CONSTANTLY CONTACTING THE SAG OUTSIDE DIPLOMATIC CHANNELS AND THROUGH THIRD PARTIES RELAYING THE MESSAGE THAT THE IRANIAN GOVERNMENT DOES NOT UNDERSTAND WHY THERE HAS BEEN NO IMPROVEMENT IN SAUDI-IRANIAN RELATIONS, ESPECIALLY SINCE THE IRANIAN FOREIGN MINISTER HAS VISITED SAUDI ARABIA TWICE. SAUD SAID THAT THE SAG HAS SEEN NO CHANGE IN IRANIAN POLICY THAT WOULD INDICATE THAT AN IMPROVEMENT OF RELATIONS WOULD PRODUCE A STABILIZING SITUATION. ALSO, THERE WERE UNRESOLVED REGIONAL ISSUES SUCH AS THE "THREE ISLANDS" DISPUTE WITH THE UAE AND IRANIAN MEDDLING IN BAHRAIN.

IRANIAN INVOLVEMENT IN BAHRAIN

15. PELLETREAU ASKED SAUD HOW SERIOUS HE THOUGHT THE SITUATION IN BAHRAIN WAS. SAUD SAID, "VERY SERIOUS." THE SHIA IN BAHRAIN LOOK TO QOM FOR RELIGIOUS LEADERSHIP, AND SINCE THE TIME OF THE SHAH, IRAN HAS MADE TROUBLE FOR BAHRAIN. HE SAID THAT IRAN DENIES IT IS INVOLVED IN BAHRAIN. IT HAS SENT MESSAGES TO THE SAUDIS AND BAHRAINIS THROUGH THIRD PARTIES THAT IT WOULD "DO ANYTHING" TO PROVE THAT IT WAS NOT INVOLVED IN BAHRAIN. SAUD SAID BAHRAIN WAS IN CONTACT WITH IRAN.

16. SAUD SAID THE BAHRAINI DISSIDENTS WERE MAKING EXTENSIVE USE OF THE MEDIA. INTERNATIONAL MEDIA BROADCASTS INTO BAHRAIN TREAT THE DISTURBANCES AS IF THEY WERE THE ONLY EVENTS GOING ON IN THE WORLD. SUCH MEDIA SCRUTINY WAS BAD FOR BAHRAIN'S ECONOMY, WHICH DEPENDS ON TOURISM AND BUSINESS. THE ANSWER DID NOT LIE IN DESTROYING THE COUNTRY. HE HOPED WE WOULD BE UNDERSTANDING OF BAHRAIN'S SITUATION.

¶17. PELLETREAU SAID THAT WE HAD TOLD THE BAHRAINIS THAT WE THOUGHT THEY WERE HANDLING THE SITUATION WITH RESTRAINT. THEY WERE A COUNTRY FRIENDLY TO THE U.S. AND THE KINGDOM AND REQUIRED SUPPORT. SAUD SAID, "BAHRAIN NEEDS HELP NOW." HE SAID IRAN NEEDS TO BE SENT A MESSAGE THAT IT SHOULD NOT MEDDLE IN BAHRAIN'S INTERNAL AFFAIRS.

OTHER IRANIAN SUBVERSIVE ACTIVITIES

¶18. PELLETREAU SAID THAT IRAN WAS DOING A NUMBER OF THINGS IT SHOULD NOT BE DOING. IT WAS TRYING TO ACQUIRE WEAPONS OF MASS DESTRUCTION. IT HAD CLOSE RELATIONS WITH SUDAN. IT WAS CARRYING OUT WIDER SUBVERSIVE ACTIVITIES, SUCH AS CONDUCTING ACTIONS AGAINST EGYPT AND SUPPORTING HIZBALLAH AND ITS TERRORIST ACTIVITIES.

¶19. SAUD SAID THAT HE HAD HEARD THAT THERE MAY BE DIVISIONS WITHIN HIZBALLAH. THERE ARE THOSE WHO WANT A CLOSER RELATIONSHIP WITH IRAN, AND OTHERS WHO WANT HIZBALLAH TO BE MORE INDEPENDENT. HE SAID THAT AN INFORMATION EXCHANGE ON THIS SUBJECT WOULD BE USEFUL, AND THAT OUR INTELLIGENCE SERVICES SHOULD GET IN TOUCH WITH EACH OTHER. PELLETREAU AGREED.

IRANIAN/RUSSIAN RELATIONS

¶10. PELLETREAU SAID THAT THE U.S. HAS BEEN IN CONTACT WITH RUSSIA ABOUT ITS RELATIONS WITH IRAN, AND HAD OBTAINED A RUSSIAN COMMITMENT NOT TO ENTER INTO ANY NEW MILITARY CONTRACTS WITH IRAN. HOWEVER, WE DO NOT KNOW ALL THE DETAILS OF RUSSIA'S CURRENT CONTRACTS. SAUD SAID THAT HE HAD HEARD THAT THE CONTRACTS WERE WORTH USD 4 BILLION. HE LAUGHED AND SAID THAT RUSSIAN EQUIPMENT WAS CHEAPER THAN U.S. EQUIPMENT. THUS, USD 4 BILLION OUGHT TO BUY QUITE A BIT. PELLETREAU SAID THAT EVEN THAT LARGE AMOUNT OF EQUIPMENT WON'T COME CLOSE TO WHAT IRAN THINKS IT NEEDS.

¶11. PELLETREAU SAID THAT WE HAD ALSO TALKED TO RUSSIA ABOUT ITS CONTRACT TO BUILD A NUCLEAR REACTOR AS BUSHEIR. EVEN THOUGH IT WOULD COME UNDER IAEA SAFEGUARDS, IT WOULD GIVE IRAN TECHNOLOGY IT COULD USE FOR NON-PEACEFUL PURPOSES. SAUD SAID THAT HE HAD UNDERSTOOD THAT IRAN'S OTHER REACTORS WERE UNDER IAEA SAFEGUARDS. PELLETREAU SAID THAT WAS TRUE, BUT WE KNEW THAT THERE WAS MORE TO IRAN'S NUCLEAR PROGRAM THAN WHAT THE IAEA INSPECTORS SAW.

¶12. SAUD SAID THAT THE RUSSIANS DID NOT GIVE THE SAG UNCONDITIONAL ASSURANCES WHEN IT RAISED RUSSIA'S SALES TO IRAN. THE RUSSIANS SAID THAT FOR ECONOMIC PURPOSES THEY HAD TO MAKE SALES. HOWEVER, SAUDI ARABIA IS NOT GOING TO BUY RUSSIAN GOODS.

RESTRICTING NEW CREDIT

¶13. PELLETREAU SAID THAT WE HAVE HAD LIMITED SUCCESS IN OUR CONVERSATIONS WITH THE G-7 COUNTRIES ABOUT NOT PROVIDING NEW CREDITS TO IRAN. GERMANY HAD NOT PROVIDED NEW CREDITS, BUT HAD PAID THE GERMAN COMPANIES TO WHOM IRAN OWED MONEY, AND THEN RENEGOTIATED IRAN'S PAYMENT TERMS. IRAN HAD BET THAT OIL PRICES WOULD REMAIN HIGH. NOW, IT WAS HAVING PROBLEMS. AS A RESULT, OUR POLICY OF RESTRICTING CREDIT TO IRAN WAS CAUSING IT TO CUT BACK ON ITS MILITARY PROCUREMENT.

EU'S "CRITICAL DIALOGUE"

¶14. PELLETREAU SAID THAT WE HAVE ASKED THE EU WHAT RESULTS IT HAS TO SHOW FOR ITS "CRITICAL DIALOGUE" WITH IRAN. THE EUROPEANS TELL US THEY ARE STRENGTHENING THE MODERATES. HOWEVER, THERE DO NOT APPEAR TO BE ANY MODERATES WHEN IT COMES TO IRAN'S EXTERNAL POLICY. SAUD

AGREED AND SAID THAT EVEN IRAN'S INTERNAL POLICIES ARE
RESTRICTIVE, INCLUDING AREAS SUCH AS ITS BANKING SYSTEM.

MABUS